

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ILLUMINA INC., et al.,
Plaintiffs,

v.

BGI GENOMICS CO., LTD., et al.,
Defendants.

**PUBLIC REDACTED VERSION OF
APRIL 1, 2021 DISCOVERY ORDER (20-
1465 ECF No. 315, 19-3770 ECF No. 313)**

Case No. 20-cv-01465-WHO (TSH)
Re: Dkt. Nos. 288, 306

Case No. 19-cv-03770-WHO (TSH)
Re: Dkt. No. 303

The Court held a hearing on March 30, 2021 concerning two joint discovery letter briefs.
This order follows.

A. Illumina's Interrogatories 2 and 22 (20-1465 ECF No. 288)

In 20-1465 (but not 19-3770), Illumina moves to compel further responses to its interrogatories ("rogs") 2 and 22. Rog 2 asks Defendants to "Identify all instances in which CoolMPS has been used, distributed, tested, offered for sale, or sold in the United States or abroad, and the circumstances relating to such events, including (without limitation) which Defendant or third party used or distributed CoolMPS, when and where such event occurred, whether such event occurred at the direction or control of another entity, and the intended purpose of such event." Defendants' response is as follows: "CoolMPS has not been sold, distributed, or offered for sale in the U.S. Development of CoolMPS began in 2016. Development experiments relating to CoolMPS also occurred in 2018 and 2019. CoolMPS commercial kit products imported from MGI were used in CGI's facility in San Jose on a number of occasions relating to development beginning on or about January 2020."

Rog 22 is the same as rog 2 but asks about StandardMPS. Defendants' response is:

“Defendants have not distributed, sold, or offered for sale StandardMPS in the U.S. Defendants have used StandardMPS internally for their own purposes, [redacted].”

Illumina moves to compel two types of information responsive to these rogs. First, Illumina seeks to learn the number of times that Defendants have used CoolMPS and StandardMPS in the United States. Contrary to Defendants’ argument, this information is responsive to the rogs, which ask Defendants to “Identify all instances in which CoolMPS [or StandardMPS] has been used . . . in the United States . . .” Defendants’ response to rog 2 states that CoolMPS has been used in the San Jose facility “on a number of occasions” since January 2020 but does not say or estimate what that number is. Their response to rog 22 says that they “have used” StandardMPS in connection with two other companies, but does not say how many times they have used it.

Because each use is an alleged infringement, discovery about the number of times Defendants have infringed in the United States is relevant to damages. *See TecSec, Inc. v. Adobe Inc.*, 978 F.3d 1278, 1291 (Fed. Cir. 2020) (patent owner “presented no evidence of damages caused by Adobe’s direct infringement” where it did not provide “the number of times that Adobe employees installed Acrobat”). Also, the number of times Defendants have infringed in the United States is relevant to *Georgia Pacific* factor 11: “The extent to which the infringer has made use of the invention; and any evidence probative of the value of that use.” *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

Defendants argue that coming up with an exact answer to this question is extremely burdensome and perhaps impossible. They say that [redacted]. They assert that it is not a simple question to determine how many times any given chemistry has been used. Defendants say that performing such an analysis would require combing through Defendants’ millions of pages of produced documents, identifying the reagents that were actually used, and tallying such uses. They say this is too burdensome and not proportional to the needs of the case.

Defendants present argument as if a rog response must contain either (1) perfect information or (2) no information. The Court doesn’t buy it. Defendants can use their best efforts to come up with a reasonable estimate. Rather than reviewing every single document that may

1 reflect an infringing use, Defendants can review samples, perhaps concerning certain periods of
 2 time or certain types of experiments, and extrapolate from those. Defendants can also interview
 3 their employees to get their best estimates. This will be hard work, and it will require more than
 4 just a back-of-the-envelope guess, but with appropriate effort Defendants can come up with an
 5 informed estimate of how often they have used CoolMPS or StandardMPS in the United States.

6 Let's turn to the next issue. Illumina moves to compel worldwide sales information of the
 7 accused products. This information is relevant for two reasons. First, it is relevant to whether a
 8 permanent injunction should issue. In granting a preliminary injunction, Judge Orrick found that
 9 foreign sales of Defendants' accused products are relevant to irreparable harm. He explained that:
 10 "It is undisputed that Illumina is currently the primary actor in the market, and BGI's commercial
 11 expansion into the United States would create essentially a two-player market. Sales made to BGI
 12 would almost certainly translate to lost revenue for Illumina." 19-3770 ECF No. 185 at 18. "In
 13 addition, there is a high likelihood of price erosion. BGI admits that it competes with Illumina on
 14 price and touts its products as having a lower price point." *Id.* "BGI also does not seriously
 15 dispute that in China, where it has already competed with Illumina, Illumina has had to lower its
 16 prices. Although BGI suggests that sales in China are irrelevant to the U.S. market, it does not
 17 provide any substantive argument to distinguish the two markets. I am persuaded by Illumina's
 18 position that evidence from another market in which Illumina and BGI have competed is probative
 19 of the potential impact of competition in the United States." *Id.* (citations omitted). Indeed, given
 20 Defendants' representation that they have not made any sales in the United States, it would seem
 21 that foreign sales in markets where Illumina also competes might be the best way to show the
 22 price erosion and loss of market share that could happen if a permanent injunction were not issued.

23 Second, foreign sales are relevant to the availability and acceptability of CoolMPS in the
 24 market, in light of Defendants' assertion in their response to Illumina's rog 12 that CoolMPS does
 25 not infringe. This means that if Illumina proves at trial that StandardMPS infringes, Defendants
 26 can say that CoolMPS is a non-infringing alternative. Information about the relative sales of
 27 StandardMPS and CoolMPS worldwide is relevant to show whether CoolMPS is an available and
 28 viable commercially acceptable alternative.

Defendants do not have much of a response. They say this discovery is not proportional to the needs of the case, but they fail to identify any burden associated with producing their consolidated audited financial information, or doing a database pull of worldwide sales information for the accused products.

Accordingly, the Court grants Illumina's motion to compel for the reasons explained above.

B. Illumina's Subpoenas to MyChem LLC and Chanfeng Zhao (20-1465 ECF No. 306; 19-3770 ECF No. 303)

Illumina served document and deposition subpoenas on non-parties MyChem and its general manager, Ms. Chanfeng Zhao. The document subpoena seeks (1) "Documents sufficient to show the Chemicals that You supplied to Defendants, including the names, molecular structures, and chemical, physical, and spectral properties of the Chemicals"; (2) "Documents sufficient to show Your development work related to any Chemicals that You supplied to Defendants that include azidomethyl"; and (3) "Communications with Defendants related to the development of any Chemicals that You supplied to Defendants that include azidomethyl." The deposition subpoena seeks Zhao's testimony. MyChem and Zhao, represented by the same counsel as Defendants, have objected to the subpoenas across the board.

Illumina says that MyChem supplies accused azidomethyl nucleotides to Defendants in the United States. Therefore, Illumina reasons, MyChem's documents are relevant to show MyChem's direct infringement, for which Defendants are liable for inducing infringement. Illumina also says that MyChem's internal documents may be relevant to willfulness if they evidence oral communications with Defendants or other circumstantial evidence showing that Defendants were aware of and copying Illumina's patents.

Let's break down the requests. Documents responsive to request 1 (documents sufficient to show the chemicals that MyChem supplied to Defendants) and request 3 (communications with Defendants related to the development of the azidomethyl chemicals MyChem supplied to them) should also be in the possession of Defendants. Rule 26 states that "the court must limit the . . . extent of discovery otherwise allowed by these rules . . . if it determines that . . . the discovery . . .

1 can be obtained from some other source that is more convenient, less burdensome, or less
 2 expensive . . .” Fed. R. Civ. Proc. 26(b)(2)(C)(i). “[T]he Ninth Circuit has long held that
 3 nonparties subject to discovery requests deserve extra protection from the courts.” *High Tech*
 4 *Medical Instrumentation, Inc. v. New Image Indus., Inc.*, 161 F.R.D. 86, 88 (N.D. Cal. 1995)
 5 (citing *United States v. C.B.S.*, 666 F.2d 364, 371-72 (9th Cir. 1982)).

6 Here, documents responsive to requests 1 and 3 can more conveniently be obtained from
 7 Defendants. Defendants state that they produced custodial documents including emails in
 8 response to Illumina’s ESI search requests, which included the term “*azid*” among others, and
 9 they say this captured relevant communications between MyChem and Defendants responsive to
 10 the subpoena. During meet and confer, Defendants offered to produce all non-privileged custodial
 11 emails hitting on the term “MyChem” if Illumina would withdraw the subpoenas, an offer
 12 Illumina declined. However, the Court will hold Defendants to that offer. The Court therefore
 13 orders Defendants to produce all non-privileged custodial emails hitting on the term “MyChem.”
 14 Between this order and Defendants’ prior production of custodial documents, there is no
 15 justification for seeking documents responsive to requests 1 and 3 from MyChem.

16 Now let’s talk about request 2. MyChem’s internal documents concerning its development
 17 work are undoubtedly confidential research, development, or commercial information within the
 18 meaning of Federal Rule of Civil Procedure 45(d)(3)(B)(i). That means Illumina must show “a
 19 substantial need” for this material. Fed. R. Civ. Proc. 45(d)(3)(C)(i). The Court is unpersuaded
 20 that Illumina has shown this. Illumina’s infringement contentions do not disclose any contention
 21 that Defendants have induced their suppliers such as MyChem to infringe, which means that
 22 MyChem’s development work may not even be relevant. Illumina argues otherwise and cites its
 23 infringement contentions (20-1465 ECF No. 211-6 at 3, 5) to assert that “Defendants have induced
 24 infringement by (among other things) ‘controlling the design, manufacture, and supply’ of the
 25 ‘Associated BGI Sequencing Products,’ which includes any reagents ‘that contain nucleotides
 26 with a 3’-Oazidomethyl blocking group.’” However, the citation to page 3 of the infringement
 27 contentions refers to BGI sequencer instruments “that contain nucleotides with a 3’-Oazidomethyl
 28 blocking group (collectively, ‘Associated BGI Sequencing Products’) *that are used* in conjunction

1 with the BGI Sequencers *for their intended purpose of DNA sequencing.*” (emphasis added)

2 That’s what purchasers do with Defendants’ products, not what suppliers do.

3 The citation to page 5 of the infringement contentions refers to the following paragraph, in
4 which the Court has numbered the sentences:

5 [1] BGI has also induced and contributed to and/or threatens to
6 induce and contribute to infringement *by customers or other third*
7 *parties by selling, offering to sell, and/or importing* BGI Sequencers
8 and Associated BGI Sequencing Products in the United States. [2]
9 Each of the BGI defendants has induced infringement and/or
10 threatens to induce infringement by direct infringement by each of the
11 other BGI defendants of the ’973, ’444, and ’025 Patents. [3] BGI
12 has induced infringement and/or threatens to induce infringement by
13 controlling the design, manufacture, and supply of the BGI
14 Sequencers and Associated BGI Sequencing Products with the
15 knowledge and specific intent that *users will use the BGI Sequencers*
16 *and Associated BGI Sequencing Products to infringe* the ’973, ’444,
17 and ’025 Patents. [4] BGI has induced infringement and/or threaten
18 to induce infringement by controlling the design, manufacture, and
19 supply of the BGI Sequencers and Associated BGI Sequencing
20 Products to infringe the Patents-in-Suit. [5] BGI has induced
21 infringement and/or threaten to induce infringement by controlling
22 the design, manufacture, and supply of materials or apparatuses *to be*
23 *used with the BGI Sequencers or Associated BGI Sequencing*
24 *Products to infringe* the Patents-in-Suit. [6] BGI has induced
25 infringement and/or threatens to induce infringement by
26 *disseminating promotional and marketing materials* relating to the
27 BGI Sequencers and Accused BGI Sequencing Products to infringe
28 the ’973, ’444, and ’025 Patents. [7] BGI has induced infringement
and/or threatens to induce infringement *by creating distribution*
channels for the BGI Sequencers and Associated BGI Sequencing
Products to infringe ’973, ’444, and ’025 Patents. [8] BGI has
induced infringement and/or threatens to induce infringement by
distributing other instructional materials, product manuals, technical
materials, and bioinformatics software platforms for the BGI
Sequencers and Associated BGI Sequencing Products to facilitate
infringement of ’973, ’444, and ’025 Patents. [9] BGI has induced
infringement and/or threatens to induce infringement by participating
in, supporting, and encouraging *others’ use* of the BGI Sequencers
and Associated BGI Sequencing Products to infringe ’973, ’444, and
’025 Patents. [10] BGI has contributed to infringement of the ’973,
’444, and ’025 Patents because it knows the BGI Sequencers and
Associated BGI Sequencing Products constitute material parts of the
’973, ’444, and ’025 Patents and that they are not a staple article or
commodity of commerce suitable for substantial noninfringing *use*
and that their *use* infringes the ’025 Patent. (emphasis added)

26 A fair reading of these infringement contentions is that they are all directed toward inducing
27 purchasers of Defendants’ products to infringe when they use the products, or that the BGI entities
28

1 induce each other to infringe. Sentence one says that BGI induces customers and other third
 2 parties to infringe by providing or offering to provide (selling, offering to sell or importing) the
 3 products to them. Sentence two says that the BGI entities induce each other to infringe. Sentence
 4 three says the direct infringement occurs when users use the products, again a reference to
 5 purchasers. The fourth sentence does not identify any direct infringement. The fifth sentence is
 6 again a reference to the products being used. Sentence six says BGI induces infringement by
 7 disseminating marketing materials, which is again a focus on sales. Sentence seven refers to BGI
 8 creating distribution channels, which refers to BGI distributing the products; acquiring a product
 9 from a supplier is not a *distribution* channel. The eighth sentence refers to BGI distributing
 10 related materials that would help users use the products. Sentence nine refers to BGI encouraging
 11 others to use the products, which is what end users do. And sentence ten again refers to users
 12 using the products. Patent Local Rule 3-1(d) states that infringement contentions must state “[f]or
 13 each claim which is alleged to have been indirectly infringed, *an identification of any direct*
 14 *infringement . . .*” (emphasis added) The only direct infringement specifically identified in the
 15 cited portions of Illumina’s infringement contentions is direct infringement by purchasers who use
 16 the products or by other Defendants. Nothing in Illumina’s infringement contentions suggests that
 17 it is pursuing a theory that Defendants induce their *suppliers* to infringe.

18 In so reasoning, the Court is not adopting a rule that relevance in a patent case is limited to
 19 what is disclosed in the infringement contentions. After all, Patent Local Rule 3-6(c) states that
 20 the recent discovery of nonpublic information can itself be a basis for seeking leave to amend
 21 infringement contentions. Rather, the Court is applying the “substantial need” test in Rule
 22 45(d)(3)(C)(i). The close of fact discovery in these civil actions was March 26, 2021. Illumina’s
 23 existing infringement contentions do not contend that Defendants induced their suppliers to
 24 infringe, and Illumina has not moved to amend to add such a contention. At this late stage in these
 25 cases, with fact discovery over (except for what the Court orders in this order and in motions to
 26 compel that may be filed until April 2, 2021), the Court has a serious concern that Illumina’s
 27 inducement theory concerning MyChem isn’t part of Illumina’s case and likely never will be.
 28 Accordingly, Illumina has not shown a substantial need for MyChem’s internal documents about

1 its development.

2 Illumina's citation to *Dr. Systems, Inc. v. Fujifilm Medical Systems USA, Inc.*, 2008 WL
3 1734241, *3 (S.D. Cal. April 10, 2008), for the broad proposition that infringement contentions
4 cannot support a relevance objection is not persuasive. In *Dr. Systems*, the court held that the
5 plaintiff could take discovery into not only the products that were expressly accused in the
6 infringement contentions but also of products that were related to those that were expressly
7 accused. More to the point, discovery in that case was still ongoing, so there was additional time
8 to gather evidence and work up further theories of liability, and the court was not applying Rule
9 45's "substantial need" test. Here, by contrast, fact discovery is over, and Illumina has done
10 nothing to make this new inducement theory part of its case. See *Finjan, Inc. v. Qualys, Inc.*, 2020
11 WL 5569704, *2 (N.D. Cal. Sept. 17, 2020) ("[A]s matters stand now, Finjan is trying to obtain
12 discovery based on infringement theories that are way outside its infringement contentions, fact
13 discovery is about to close, and Finjan has not even asked Judge Gonzalez Rogers for permission
14 to amend. The undersigned is quite skeptical that Finjan's new infringement theories will ever be
15 in this case."). In this situation, there is no substantial need for MyChem's internal documents.

16 As a back up argument, Illumina argues that MyChem's internal documents may evidence
17 oral communications with Defendants (e.g., instructions or specifications related to infringement)
18 or other circumstantial evidence showing that Defendants were aware of and copying Illumina's
19 asserted patents, which could be relevant to willfulness. However, that feels like baseless
20 speculation. It is also a strange, roundabout way of taking discovery. Defendants' own
21 documents are much more likely to show what they were aware of. Accordingly, this theory of
22 relevance also does not amount to a substantial need.

23 Turning to the deposition subpoena for Zhao, Illumina repeats its arguments that Zhao may
24 have information about MyChem's direct infringement, Defendants' inducements of MyChem,
25 and Defendants' willfulness in carrying out their own infringement. But again, Illumina must
26 show that it has a substantial need to depose Zhao concerning MyChem's confidential research,
27 development and commercial information. As discussed above, Illumina's argument in the letter
28 brief that Defendants induced MyChem to infringe asserts a liability theory that does not seem to

1 be in the case, and the suggestion that a witness who used to work for Illumina – not Defendants –
2 would somehow have “testimony . . . that cannot be otherwise” obtained, Fed. R. Civ. Proc.
3 45(d)(3)(C)(i), concerning the willfulness of Defendants’ conduct is not at all persuasive.

4 Illumina’s subpoenas to MyChem and Zhao are quashed.

5 **IT IS SO ORDERED.**

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7 Dated: April 1, 2021

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9 THOMAS S. HIXSON
10 United States Magistrate Judge
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